



0000112645

ORIGINAL
RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

1999 JUN 30 A 11:24

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER COMPANY)
FOR APPROVAL OF ITS STRANDED COST)
RECOVERY.)

DOCKET NO. E-01933A-98-0471

IN THE MATTER OF THE FILING OF)
TUCSON ELECTRIC POWER COMPANY OF)
UNBUNDLED TARIFFS PURSUANT TO)
A.A.C. R14-2-1601 et seq.)

DOCKET NO. E-01933A-97-0772

IN THE MATTER OF COMPETITION IN)
THE PROVISIONS OF ELECTRIC)
SERVICES THROUGHOUT THE STATE OF)
ARIZONA.)

DOCKET NO. RE-00000C-94-165

NOTICE OF FILING

The Residential Utility Consumer Officer ("RUCO") hereby provides notice of filing the
Testimony of Greg Patterson on the Proposed Settlement, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 30th day of June, 1999.

Arizona Corporation Commission
DOCKETED

JUN 30 1999

DOCKETED BY	
-------------	--

Scott S. Wakefield
Chief Counsel

1 AN ORIGINAL AND TEN COPIES of the
2 foregoing filed this 30th day of June, 1999 with:

3 Docket Control Division
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 COPIES of the foregoing hand delivered/mailed
8 this 30th day of June, 1999 to:

9 Jerry Rudibaugh, Chief Hearing Officer
10 Hearing Division
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Paul Bullis, Chief Counsel
15 Legal Division
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

19 Ray Williamson, Acting Director
20 Utilities Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

24 Service list for Docket No. RE-00000C-94-0165

By Cheryl Fraulob
Cheryl Fraulob

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK

CHAIRMAN

JIM IRVIN

COMMISSIONER

WILLIAM A. MUNDELL

COMMISSIONER

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER COMPANY)
FOR APPROVAL OF ITS STRANDED COST)
RECOVERY.)
_____)

DOCKET NO. E-01933A-98-0471

IN THE MATTER OF THE FILING OF)
TUCSON ELECTRIC POWER COMPANY OF)
UNBUNDLED TARIFFS PURSUANT TO)
A.A.C. R14-2-1601 et seq.)
_____)

DOCKET NO. E-01933A-97-0772

IN THE MATTER OF COMPETITION IN)
THE PROVISIONS OF ELECTRIC)
SERVICES THROUGHOUT THE STATE OF)
ARIZONA.)
_____)

DOCKET NO. RE-00000C-94-165

DIRECT TESTIMONY

OF

GREG PATTERSON

ON BEHALF OF THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JUNE 30, 1999

1 Q. Please state your name, occupation, and business address.

2 A. My name is Greg Patterson. I am the Director of the Residential Utility Consumer Office
3 ("RUCO") located at 2828 North Central Avenue, Suite 1200, Phoenix, Arizona 85004. I
4 am also a Certified Public Accountant.

5 Q. Please state your educational background and qualifications in the utility regulation field.

6 A. Appendix A, which is attached to this testimony, describes my educational background
7 and qualifications.
8

9 Q. What is your position on the Tucson Electric Power Company ("TEP") settlement?

10 A. The TEP settlement is good for residential consumers and I support it.
11

12 Q. How will the settlement benefit residential customers?

13 A. It is unclear how much residential consumers will benefit from competition, but this
14 settlement provides an opportunity to do so. The settlement provides for 1 percent rate
15 decreases on July 1, 1999 and again on July 1, 2000, followed by a rate freeze through
16 2008. This will allow all residential consumers, including those who remain on standard
17 offer service, to benefit from competition.

18 The settlement provides that TEP shareholders are at risk if the fixed recovery
19 mechanism fails to collect \$450 million by the end of 2008. In addition, the settlement
20 provides that all stranded cost recovery terminates after 2008. No rate case will be
21 required for customers—both competitive and standard offer—to experience the rate
22 decrease.
23
24

1 The settlement also provides a benefit for residential customers who desire to enter the
2 competitive market, in that they are given a larger adder (a recognition that they are
3 more expensive to serve) than other classes of customers. As a result of a larger
4 adder, residential customers will experience a greater margin in which they can shop for
5 competitive generation. This will provide increased opportunities for residential
6 customers to participate in the competitive market.

7
8 The settlement allows continued funding of TEP's low income programs. This will allow
9 the Commission to protect consumers through programs that have an assured funding
10 mechanism provided in the settlement.

11 TEP also agrees to withdraw its various court appeals.

12
13 Q. What was RUCO's position on the previous TEP settlement?

14 A. RUCO opposed the previous settlement.

15
16 Q. Why?

17 A. The previous agreements were negotiated without significant input from consumer
18 interests. The rate decreases from these agreements were too small. The stranded
19 asset recovery did not expire. The proposed sale of generating assets to APS from was
20 problematic. The proposal that TEP become the owner of the high voltage transmission
21 within Arizona did not seem workable.

1 Q. How does this settlement differ from the last one?

2 A. Consumers were invited to participate this time. The rate decreases are larger and
3 more broadly based. The stranded asset recovery mechanism expires in 2008. TEP
4 shareholders are now at risk for a portion of the \$450 million stranded cost to be
5 collected via the fixed surcharge. The settlement provides residential customers greater
6 opportunities to participate in the competitive market. The proposed sale of generating
7 assets to APS from TEP has been eliminated. The proposal that TEP become the
8 owner of the high voltage transmission has also been eliminated.

9 Q. Does this conclude your testimony?

10 A. Yes.
11
12
13
14
15
16
17
18
19
20
21
22
23
24

APPENDIX A

GREG PATTERSON

Education: University of Arizona
BSBA Accounting
With Distinction 1985

Certification: Certified Public Accountant

Experience: Residential Utility Consumer Office (RUCO) 1995 - present

- Director
- Represent residential consumer interests in electric, gas, telecommunications and water rate cases.